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DEPARTMENT FOR AF/SPG AND EB/ESC/IEP

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TAGS: EPET PGOV PREL SU

SUBJECT: SUDAN OIL PRODUCTION FALLING SHORT OF PROJECTIONS

Classified By: POLOFF CURTIS STEWART, Reason: section 1.4 (b) and (d)

¶1. (C) Summary: Oil production in Sudan has not reached levels originally targeted for early 2006, with current output running closer to 300,000 barrels per day rather than the 500,000 bpd anticipated. A major pipeline has yet to start operations. High prices have to some extent offset the lower than expected production. End Summary.

¶2. (C) In several recent meetings with us, oil industry contacts agreed that current oil production in Sudan is running in the range of 300,000 to 350,000 bpd. This is below the estimates in mid-2005 that production would reach 500,000 bpd by the beginning of 2006. The major reason for the shortfall is the delay in getting the pipeline operated by Petrodar into operation.

Three Pipelines

¶3. (C) Three oil pipelines have been constructed in Sudan. The oldest is the GNPOC pipeline from the Hileg field to Port Sudan completed in 1999. This is a 28-inch pipeline with a maximum capacity of about 330,000 to 350,000 bpd. When poloff visited the GNPOC offices on February 6, the operation of the software package was demonstrated and a volume of 275,000 bpd was noted. The manager, Suresh Kumar Batra (protect), said that the capacity of the pipeline could be expanded to over 400,000 bpd with the installation of additional pumps. The production of White Nile Petroleum Operating Company (WNPOC) will be pumped through this line. According to a manager there, WNPOC has built a 170 kilometer feeder pipeline to connect with the Hileg pipeline and expects to begin pumping at the end of March 2006 at a volume of about 30,000 bpd with volume to ultimately increase to 80,000 bpd. (Comment: In a separate meeting, a manager at WNPOC confirmed the start-up date of March 31 and the initial volume of 30,000 bpd. End Comment.) WNPOC will be charged a transit fee of USD 6 per barrel. The GNPOC general manager noted that, with the added production from White Nile, the pipeline will be at, or beyond, its current capacity. However, he expects GNPOC's production to peak by 2007 and then decline. In sum, he believes that expansion of capacity is not necessary at this time, as GNPOC production can be expected to trend downward from 2007, leaving sufficient pipeline capacity for WNPOC production.

¶4. (SBU) The second major pipeline is the 32-inch Petrodar line from Blue Nile state to Port Sudan. This line was originally projected to be in use by August 2005. This date slipped to October, 2005 and has now slipped again to March 2006. A GNPOC manager stated that he doubts that the line will be in operation before June 2006. There have been a series of problems, the latest reportedly having to do with port handling systems and electric power generation at the

Port Sudan end of the line. When the Petrodar line comes on line, it should add about 200,000 bpd to exports. If additional pumps are installed, the maximum capacity of this pipeline would reportedly be over 400,000 bpd. According to the GNPOC general manager, the combined, maximum capacity of the GNPOC and the Petrodar pipelines would be close to 1 million bpd, if all upgrades were made.

¶ 15. (C) The third pipeline is operated by the Chinese and runs from block 6 in Kordofan, via the refinery north of Khartoum, to Port Sudan. According to the manager at GNPOC, this line is reportedly pumping only 10,000 to 12,000 bpd, with the production going into the Khartoum refinery. A manager at Lundin petroleum gave the same figure for volume of production. The pipeline was reportedly built in anticipation of a volume of 170,000 bpd. The manager at Lundin petroleum believes the Chinese have not been able to produce as much oil as planned, supposedly due to the difficult geology and less productive fields than expected.

High Prices Offset Disappointing Production

¶ 16. (U) If the Petrodar pipeline begins operation in June, and the WNPOC production begins as scheduled by late March, total production will rise to the neighborhood of 500,000 bpd. While production seems to have fallen short of earlier plans, the financial impact on the government revenues as been cushioned to some extent as the high price of oil has offset the lower production.

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